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*submitted
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Rep. to Clark*

EXHIBIT 43
DATE 1-25-07
HB 2

Testimony for SLTC budget state fiscal years 2008 and 2009
SNF/NF input – 1/25/07
By H. Ray Gibbons, FACHE
Administrator/CEO

I have reviewed the fiscal analyst comments on the SLTC division budget and have the following areas of input for the committee:

- ◆ The Montana Legislature and the Nursing Home industry have used the current funding options (i.e. county, state and federal) to develop a Medicaid total daily rate that in 2007 is close to the cost of providing the required care.
- ◆ On page B-192 the LFD identifies all the components and recognizes that the Medicaid daily rate is not transparent.
- ◆ This lack of transparency due to using a variety of funding sources does put the individual components at risk to federal policy changes.
 - The concern raised on B-195 regarding the 6% to 3% CMS initiative was set at 5.5% until 2011 by federal legislation in December 2006.
 - However, CMS issued a Medicaid proposed rule on 1/12/07 that puts IGT for nursing homes at great risk.
 - In addition, the CMS Medicaid proposed rule on 1/12/07 also changes the methodology for payment to governmental nursing homes on a cost basis vs. the current per diem basis. This proposed rule could reduce payments to these facilities.
 - The 1/12/07 CMS proposed rule may reduce Medicaid payments to governmental CAH's from 101% to 100% of cost.
- ◆ TMC is a combined facility which has a 12 bed CAH and a 34 bed SNF/NF serving a Teton County and surrounding counties with an approximate population of 6000.
- ◆ If the 1/12/07 CMS rule was enacted as currently written the impacts on TMC in 2007 dollars would be:
 - The TMC FYE 6/30/06 identifies a nursing home cost per day of \$139.96 vs. the TMC Medicaid per Diem of \$145.63. The result of being fixed at \$139.96 in 2007 would result in ~ <\$ 41,400> annually or ~2.7% decrease in cash income.

- I do take exception to any comment or conclusion that TMC is "making a profit" because the Medicare cost report system is based on Medicare's definitions of reasonable cost and Medicare cost allocation formulas.
 - The current \$145.63 is within \$3/day of reaching break even cost on our TMC nursing home care.
 - Medicare does not allow for funding reserves or depreciation on equipment which should be normal costs of doing business.
 - The CMS concept of isolating one group of skilled nursing providers and paying this group on cost instead of the per diem current system is not fair treatment.
- TMC would not be able to participate in the IGT program due to being capped at 100% which in 2006 represented ~\$25,000 in cash or an additional ~1.6% decrease.
 - It is questionable in my mind that IGT would continue, but if it did the program certainly will be smaller and the \$ 600,000 used for base nursing home rate funding and the \$ 1,000,000 for community programming is at serious risk.
- ◆ My input:
- Find base rate funding at the state average of \$146.56 and improve the transparency of the rate.
 - Ask SLTC to create a "best guess" impact of the 1/12/07 rule on the Montana IGT program.
 - Find base rate funding for the \$600,000 for the average state rate that does not rely on IGT.
 - Find a way to fund Medicaid daily rate 4% annual base rate adjustments for FY's 2008 and 2009 for nursing homes in Montana. Federal regulations and primarily employee expenses certainly will not decrease in the next two years.
 - I believe the small rural health facilities are providing a valuable service in Montana that includes economic viability for the rural parts of Montana. I will be researching with the TMC Board of Trustees alternatives to being capped at 100% of cost for Medicaid SNF/NF services and potentially CAH services.
 - Obviously TMC will oppose the CMS 1/12/07 rule as being unfair to treat government related facilities differently than 501-(c)-3 non-profits or for profit facilities. Especially when CMS recognizes the small rural facilities will bear the most significant negative impact from this rule.
 - The Montana legislature has the opportunity to "fix" the wrong of having the Medicaid senior that lives near home in a rural part of Montana pay by executive rule making vs. the legislative process.
 - Montana needs to take care of those who helped create this great state in their youth.